Revenue Committee

Final Meeting Summary

March 21, 2000

Adopted 4/18/00

Committee members present: Chair Skip Rowley, Roger Dormaier, Councilmember Dave Earling, Jim Fitzgerald, Bob Helsell, Neil Peterson, Commissioner Judy Wilson

Committee members not present: Governor Booth Gardner, Representative Ed Murray, Larry Pursley, Senator George Sellar, Doug Vaughn

The Revenue Committee convened at 8:30 am at the SeaTac Holiday Inn. Chair Skip Rowley asked for a motion to adopt the February 8, 2000 meeting summary. A motion was made and seconded and the meeting summary was approved.

No members of the public wished to address the committee during the public comment period.

Discussion of Revenue Options

Chair Rowley introduced the topic of the meeting and said the committee's goal was to have a set of options to present to the full Commission at its May 18 retreat. Kathy Elias, committee staff person, referred to the handout of options. It included a section on Revenue Committee Principles and then two sections on options, Group A which included options to restructure the current revenue system to make more efficient use of revenues, and Group B, options to generate revenues for specific purposes. Kathy noted that some of the options could be linked into packages, but others were mutually exclusive. She added that some of the options had been previously brought before the committee for discussion but many were new.

Principles

The first discussion revolved around the Committee principles. It was suggested that the principles more strongly link the concepts of payment to use of the system. Those who use the system should also pay for it. Another principle to be added might be one that spoke to consideration of the movement of people and goods and the impacts of mobility on the economy. Yet another suggestion was that the revenue structure should clearly have an effect on congestion. The principle, “Shift funding focus to user fees,” should be moved to the first section labeled, “Create a system that makes sense to the public.”

The principle, “Recognize differential regional needs,” was amended by adding the words, “both rural and urban.” A new principle was added, “The revenue structure should not only raise revenues, but focus the effects of the revenues on mobility.”

Group A Options

Option A1 proposed a funding framework that distinguishes two categories, basic functions which are fully funded, and improvements to the system which are funded through competitive funds or flexible priority programming processes.

Options A2 and A3 propose that baseline allocations be made to state and local roadways for operation, maintenance , preservation and safety. It was noted that the gas tax, the primary funding source for these functions, has dwindled over time as inflation has eroded its purchasing power. Yet indexing has been a hard sell in the legislature. A member offered that with a cap, the idea might be more favorably considered. Another member said that private businesses are always having to make decisions about whether to cut costs or raise revenues. WSDOT could be given new tools and flexibility to counterbalance the effects of inflation. Although, it was noted, contracted out services are also subject to inflation.

Options A3 and A4 propose to convert some competitive grant program funds to pass-through distributions to fund basic functions at cities and counties. Jerry Fay of the Transportation Improvement Board (TIB) offered that if these grant programs were tapped, construction funds that are currently channeled to cities and counties would be lost.

Option A5 proposed that counties assume jurisdiction of the streets in cities under 5,000 in population. This would be an alternative to providing maintenance and preservation funds to small cities which often do not have the staff or resources to manage their own streets. Jim Seitz of the Association of Washington Cities (AWC) noted that many small cities already voluntarily contract with county government to perform these functions and would be strongly opposed to losing jurisdiction.

Option A6 proposed to change the gas tax distribution formula for cities which results in such inequities as the per mile revenues ranging from a few hundred dollars to as high as $39,000. Jim Seitz noted that he thought the number at the high end of the range was an error.

Option A7 proposed that future city and county gas tax distributions be adjusted such that funds follow road miles when incorporations or annexations take place. Chris Mudgett of the County Road Administration Board (CRAB) said that the language should be clarified to explain that all counties as a whole keep the funding, but it does not necessarily stay within the county in which the miles are located.

She also reminded members that at a previous meeting it had been suggested that funds be allocated to counties and then to cities within each county so that dollars would remain in the county. It would be a good idea but the issue would be how to do it equitably.

Option A8 proposed that basic functions be fully funded for modes such as transit, passenger-only ferries, rail and trip reduction services, much as they are proposed to be for roads. Members noted that this option needed to be fleshed out with more information on what standards could be applied to define "basic" functions or core services in these modes. A member offered that a consultant study had recently defined core services for the LTC. A suggestion was made to call a meeting to help flesh out the option.

Option A9 proposed to regionalize the programming of most federal funds. A related idea proposed in the Administration Committee was to create one-stop centers for funding at the regional level. This would apply mostly to improvements, not to basic functions which would continue to be funded and administered by the state, counties and cities. Jerry Fay suggested regional "mini-TIBs" or mobility boards in addition to the state TIB. Staff noted that Rob McKenna of the King County Council was proposing such an entity and was coming to present his ideas to the committee in April. The comment was made that many county and city roads would not be on the radar screen of regional needs and yet would need funding. Members discussed whether such entities should be county-based or regional in the sense of multi-county.

Option A10 suggested that state competitive and pass-through funds be jointly programmed and administered by a new hybrid entity. Jerry Fay of the TIB commented that it would be difficult to have a stakeholder board within WSDOT and thus under another board. TIB's administrative costs are kept low and that efficiency could be lost if technical assistance were added to its current portfolio of activities which are entirely grant related. He said the TIB is not broken and should not be fixed. Instead, more radical changes to the system are needed. Paula Hammond, manager of WSDOT's local roadways programs, suggested that the customers be asked what they want. TIB, CRAB and local roadways programs were already actively working together. A member noted that if you pull blocks out of the system, it could all collapse and the results could be worse after the "fix."

Option A11 proposed simplifying grant programs by eliminating leveraging requirements. It was noted that TIB uses leveraging as an incentive to gain points rather than as a requirement. Another option was to have sliding scale match requirements.

Option A12 suggested a new three-part regional equity principle with statewide allocation for basic functions; 90% regional return on statewide funds for other functions; and 100% return on locally or regionally authorized funds. Members asked what would the fund distribution look like if this principle were adopted. It was noted that any analysis of historical return by county or region could be skewed by the time frame selected, the revenue sources included or by very large projects built during the period. Members wondered what the equity distribution for past funds would have looked if very large projects like the I-90 bridge were taken out of the calculation. The comment was made that popular opinion appears to strongly support the idea of funds being spent in the region in which they are raised.

Another comment was offered that each community may have its own standards to which it maintains its facilities and these can vary widely. CRAB is in the process of developing minimum standards for roadway maintenance and preservation.

Group B Options

Staff introduced the second group of options by saying these are primarily about the types of sources, not about levels. Levels of need are still being worked on in the Investment Committee and by the chairs' group. Chair Rowley noted that some of the revenue options may be perceived to be infeasible from a political perspective, but if the Committee thought they were right, then they should remain on the list as options. The Chair also asked that comments on the options be submitted by e-mail if members wanted to think about them and submit comments later.

A member said he thought the state income tax should be added to the list because General Fund revenues are now being considered for transportation purposes. Although there had been concern in the past about co-mingling of General Fund and transportation revenues, it should now be on the table. It was offered that that might entail getting into the entire state budget and its tax structure, including property tax, B&O tax and sales taxes.

Members agreed, due to the constraints of time, not to take each option in turn, but to jump into discussion as members wished.

Option B13, a new commuter parking tax, was identified as potentially onerous to small business. It was commented that such a tax would be no-win and would raise too much anxiety among small employers. It was asked whether governmental employers would be required to pay the tax; the thought was they would try to be exempted. On the other hand, it was noted, there was an important regional aspect to such a parking tax in that it would affect travel demand but could disproportionately impact adjacent communities if one imposed the tax but the one next door did not. Another member argued that the available transit services do not support this. If the needed density is not there, it won't work. It was suggested that if the private sector were unleashed to provide transit services, gearing different mechanisms to different circumstances, the need for new services would soon be filled. Examples from places like Mexico City show that it can work. The government sets the standards and puts regulations in place to prevent price gouging.

Option B14 to allow a local ride sharing tax credit, was discussed, which would not raise revenue but could be used in connection with the new parking tax in Option B13 as an offset. It was suggested that B13 and B14 be merged into one option to show that connection.

Option B1 proposed a statewide sales tax dedicated to transportation. One member said he did not see the connection between the source and the purpose. Another member said there would be a need for at least one general statewide tax source to pay for basic functions and some improvements statewide. Another member offered that he was concerned there was a threshold sales tax level that might “break the bank.” And if different jurisdictions had sales tax authority, who would be permitted to go to the voters first? Another member said Option B3 which would shift some sales tax revenues from the General Fund to transportation would be a preferable way to achieve the same goal.

Option B8 proposed to toll congested facilities. A member asked how you would sell the public on pricing existing facilities which people believe they have already paid for. On the other hand, someone else said, there is a need for a direct relationship between the use of existing facilities and how they get paid for. A way would have to be found to make it palatable to the public. Rhonda Brooks, of the Public-Private Initiatives program, offered the suggestion that a new option should be added that would suggest tolling to pay for new facilities. Another member wondered whether it might be feasible to toll an existing facility to pay for a new, parallel one.

A member suggested that many of these options do not pass the “bakery test” which says that you need to be able to explain an issue in two minutes whiles standing in line at the bakery.

The Committee adjourned at 11:45 a.m.